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INTELLIGENCE BRIEF

LAG IN SOVIET EFFORTS TO CONSCRIPT PLANTS
TO PRODUCE CHEMICAL EQUIPMENT

DIRECTORATE OF INTELLIGENCE
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LAG IN SOVIET EFFORTS TO CONSCRIPT PLANTS
TO PRODUCE CHEMICAL EQUIPMENT

A year has now elapsed since the Soviet leadership announced a major new effort to boost output of the chemical industry. An important supporting role for this well-publicized program was to have been assigned to certain machine building plants identified in December 1963 for partial conversion from their customary production to that of chemical machinery and equipment. Thus far it appears that this activity is faltering badly.

The chemical program as outlined by Khrushchev in December 1963 at a plenary session of the Central Committee of the Communist Party called for massive investment through 1970 as shown in the following tabulation:

Billion Rubles*

Total investment in the program (including some investment in other sectors)	42
Direct investment in the chemical industry	25
Equipment required for the program	16
Equipment required for the chemical industry	10

It was evident to Soviet planners that the machinery required for the program could not be met fully from a rapid expansion of the existing chemical machine building industry and from imports. At that time, Khrushchev's Chairman of the State Committee for Chemical and Oil Machine Building, Leonid Kostandov, rose to tell the plenum that nine additional machine building plants would be called on to backstop the

* Rubles nominally may be converted to dollars at the official rate of exchange of 0.90 ruble to US \$1. This does not indicate, however, the relative burden of the chemical program on the Soviet economy or the true costs of the program in dollars. Ruble figures are intended to indicate only that the requirements for chemical equipment through 1970 are very large relative to present production. It is not intended to suggest in any way the level of support for the program that might be required from the nonchemical machine building sector.

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effort. Kostandov's list included two shipyards, two railroad equipment plants, and several other plants producing various kinds of heavy industrial machinery. In the weeks immediately following the plenum, 11 other nonchemical equipment plants were identified in the Soviet press for conversion. 1/

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1. Background

25X1C A review of Soviet open-source information [REDACTED] for 1964 clearly suggests that the conversion program is not going according to plan. Only in the case of the Zhdanov Shipyard in Leningrad and a machine building plant in Kishinev has anything come to light. The Zhdanov works is now producing heat exchangers and condensers for chemical combines, and the Kishinev works is producing "many types of machinery and equipment for the chemical industry." These references, however, are not firm indications of conversion, because both of these installations already were suppliers of limited amounts of chemical equipment before December 1963.

Although Soviet political leaders traditionally are overly optimistic in assigning new technological programs and generally expect more than can be accomplished, they apparently missed the mark by a considerable degree with the conversion program. There were hints almost from the start that major difficulties were arising. As early as February of 1964, Khrushchev soundly castigated Soviet planners for failing to take the necessary steps to promote the chemical industry because of "parochial allegiance to this or that branch of production." 2/ Some of the bureaucratic foot-dragging can be explained by sheer inertia in the Soviet planning system and by a strong desire on the part of industrial managers to retain the type of production activity with which they are most familiar rather than undergo a disruptive -- and bonus diminishing -- conversion to an unfamiliar product line, however well advised it might be for the economy as a whole.

2. Specific Problems

Some of the concern, however, undoubtedly was based on the fact that some of the plants identified for conversion were manifestly unsuited to produce chemical equipment. One such plant is the Novokramatorsk Metallurgical Equipment Combine in the Ukraine. This industrial giant, which is geared to making mammoth castings and forgings for the steel-processing industry, can produce and has produced

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some equipment for the chemical industry, but for it to be required to do so on a large scale would have amounted to a wholesale revamping of the present production structure of the combine and the mothballing of many large machine tools. The president of a US metallurgical equipment factory somewhat similar to the Novokramatorsk combine stated that such a conversion program would virtually put his company out of business. Furthermore, this same official said that were he the Soviet industrial manager concerned, he would have no difficulty in presenting a convincing case against such a conversion.

There has been nothing in the Soviet press to suggest that the leadership has now set aside the conversion program or that sufficient chemical equipment is being produced by the specialized plants to obviate the need for such conversion.* In fact, there apparently are some strong proponents of expanding the program. An article in the July 1964 issue of Voprosy ekonomiki, the major Soviet economic journal, strongly urged that 30 to 35 machine building plants be converted to production of chemical equipment -- not just the 9 originally identified by Kostandov -- because the present chemical equipment industry cannot be expanded rapidly enough through 1970 to fulfill requirements. 3/

* Based on an announced planned increase of 55 percent during 1964-65, an annual increase of 25 percent in production of chemical machinery was needed to meet plans in 1964. The actual increase for 1964 probably will be less than 20 percent.

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Sources:

1. CIA. CIA/RR CB 64-8, Soviet Conscription of Plants to Produce Chemical Equipment, Jan 64. S.
2. Pravda, 14 Feb 64. U.
3. Voprosy ekonomiki, no 7, Jul 64. U.

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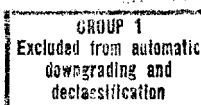
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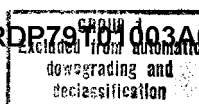
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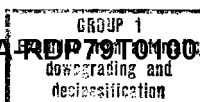
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